



# Financial Statements

University of Victoria Money Purchase Pension Plan

December 31, 2016





# Independent Auditor's Report

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To the Trustees of University of Victoria Money Purchase Pension Plan

We have audited the accompanying financial statements of the University of Victoria Money Purchase Pension Plan, which comprise the statement of financial position as at December 31, 2014 and the statement of changes in net assets available for benefits and the statement of changes in obligations for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with the requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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# University of Victoria Money Purchase Pension Plan Statement of Financial Position

December 31 (expressed in \$'000's)

2014

2015

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# University of Victoria Money Purchase Pension Plan

## Statement of Changes in Net Assets Available for Benefits

Year Ended December 31 (expressed in \$000's)	2016	2015
<b>Change in net assets</b>		
<b>Net return on investments (Note 5)</b>		
Interest income	\$ 567	\$ 535
Mortgage income	38	42
Dividend income	127	112
Net realized and unrealized gain on investments	2,000	3,745
Investment administration costs	<u>(159)</u>	<u>(145)</u>
	<u>2,573</u>	<u>4,289</u>
<b>Contributions (Note 1)</b>		
Members' required	886	868
Members' additional voluntary	49	51
University's required	2,056	2,020
Transfers from other plans	<u>769</u>	<u>211</u>
	<u>3,760</u>	<u>3,150</u>
<b>Payments to or on behalf of members</b>		
Pensions to retired members or beneficiaries	(389)	(315)
Members' accounts transferred and refunded, and death benefits	<u>(849)</u>	<u>(2,310)</u>
	<u>(1,238)</u>	<u>(2,625)</u>
<b>Operating expenses</b>		
Office and administrative costs	(24)	(21)
Audit, registration and legal fees	<u>(7)</u>	<u>(24)</u>
	<u>(31)</u>	<u>(45)</u>
<b>Increase in net assets</b>	<b>5,064</b>	<b>4,769</b>
<b>Net assets available for benefits, beginning of year</b>	<u><b>53,192</b></u>	<u><b>48,423</b></u>
<b>Net assets available for benefits, end of year</b>	<b>\$ <u>58,256</u></b>	<b>\$ <u>53,192</u></b>

See accompanying notes to the financial statements.

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# University of Victoria Money Purchase Pension Plan





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# University of Victoria Money Purchase Pension Plan

## Notes to the Financial Statements

December 31, 2016 (expressed in \$000's)

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1. **Description of plan** (continued)

(e) **Retirement options**

At retirement, members can apply the balance in their money purchase contribution

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# University of Victoria Money Purchase Pension Plan

## Notes to the Financial Statements

December 31, 2016 (expressed in \$000's)

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### 3. Summary of significant accounting policies

As indicated in Note 2, these financial statements have been prepared in accordance with Canadian accounting standards for pension plans. Accounting standards for pension plans require entities to select accounting policies for accounts that do not relate to its investment portfolio or pension obligations in accordance with either International Financial Reporting Standards ("IFRS") or Canadian Accounting Standards for Private Enterprises ("ASPE"). The Trustees selected IFRS for such accounts on a consistent basis and to the extent that these standards do not conflict with the requirements of the accounting standards for pension plans.

#### (a) Investments

Investments are stated at fair value. Fair value is determined using market values where available. Fair value for international investments, held by BC Investment Management Corporation are estimated based on preliminary market values supplied by the BC Investment Management Corporation, and any differences between the estimated values and final market values are adjusted in the subsequent period. Where listed market

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# University of Victoria Money Purchase Pension Plan

## Notes to the Financial Statements

December 31, 2016 (expressed in \$000's)

### 4. Investments (fair value)

The assets of the Plan are pooled for investment purposes with the Balanced Fund assets of the University of Victoria Combination Pension Plan. At December 31, 2016, 5.91% (2015: 5.61%) of the assets held in the Balanced Fund were in respect of the University of Victoria Money Purchase Pension Plan.

The Plan's investments are recorded at fair value or at amounts that approximate fair value. Fair value is the amount at which the investment could be exchanged in a current financial transaction between willing parties. The investments are categorized according to a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs that are not observable for the asset or liability.

The Plan's proportionate share of investments in the Balanced Fund, categorized according to the fair value hierarchy, is as follows:

	<u>2016</u>	<u>2015</u>
Short-term notes - Level 1	\$ 987	\$ 7
Short-term notes - Level 2	79	80
Canadian bonds - Level 1	6,547	7,409
Canadian bonds - Level 2	10,030	8,141
Mortgages - Level 1	1,181	1,256
Canadian equities - Level 1	6,314	5,164
Canadian equities - Level 2	6,477	5,217
Foreign equities - Level 2	20,915	20,373
Real estate - Level 3	5,494	5,103
	<u>\$ 58,024</u>	<u>\$ 52,750</u>
Fair value hierarchy		
Level 1	15,029	13,836
Level 2	37,501	33,811
Level 3	5,494	5,103
	<u>\$ 58,024</u>	<u>\$ 52,750</u>

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# University of Victoria Money Purchase Pension Plan

## Notes to the Financial Statements

December 31, 2016 (expressed in \$000's)

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### 5. Net return on investments

Net investment returns less operating expenses are distributed to members' money purchase contribution, variable benefit and additional voluntary contribution accounts at the end of each month.

The Balanced Fund earned a gross return of 4.98% (2015: 9.10%) and a net return of 4.63% (2015: 8.71%). Net investment returns are as follows:

	<u>2016</u>	<u>2015</u>
Interest		
Cash and short-term notes	\$ 6	\$ 6
Bonds	561	528
Mortgages	38	42
Other	-	1
Dividends		
Canadian equities	127	112
Net realized gains	2,098	4,782
Net unrealized (losses)	<u>(98)</u>	<u>(1,037)</u>
	<u>2,732</u>	<u>4,434</u>
Investment costs:		
Management fees	152	138
Custodial fees	3	3
Other	<u>4</u>	<u>4</u>
	<u>159</u>	<u>145</u>
Total net investment return	<u>\$ 2,573</u>	<u>\$ 4,289</u>

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### 6. Net assets available for benefits

The net assets available for benefits as at December 31 are allocated as follows:

	<u>2016</u>	<u>2015</u>
Money purchase contribution accounts ("MPCA")	\$ 48,564	\$ 46,161
Additional voluntary contribution accounts ("AVC")	2,694	2,035
Variable benefit accounts ("VBA")	<u>6,998</u>	<u>4,996</u>
	<u>\$ 58,256</u>	<u>\$ 53,192</u>

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### 7. Money purchase contribution accounts ("MPCA")

Each member of the Plan who is not a pensioner has a MPCA, which is reported annually to the member. MPCAs are invested in the Balanced Fund.

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# University of Victoria Money Purchase Pension Plan Notes to the Financial Statements

December 31, 2016 (expressed in \$000's)

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# University of Victoria Money Purchase Pension Plan

## Notes to the Financial Statements

December 31, 2016 (expressed in \$000's)

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### 10. Risk management (continued)

Interest rate risk: Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Duration is an appropriate measure of interest rate risk for fixed-income securities as a rise in interest rates will cause a decrease in the price of fixed income securities – the longer the duration, the greater the effect. At December 31, 2016, the average duration of the fixed income securities in the Balanced Fund was 7.6 years (2015: 7.4 years). Therefore, if nominal interest rates were to increase by 1%, the value of the Balanced Fund fixed income securities would drop by 7.6% (2015: 7.4%).





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# University of Victoria Money Purchase Pension Plan

## Notes to the Financial Statements

December 31, 2016 (expressed in \$000's)

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### 11. Capital disclosures (continued)

The benchmark and ranges for the Balanced Fund are as follows:

	<b>Benchmark</b>	<b>Range</b>
Cash and equivalents	0%	0-21%
Universe bonds	36%	20-46%
Canadian equities	22%	14-27%
Foreign equities	32%	20-40%
Real estate	10%	5-15%

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